GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:381
ANSWERED ON:23.03.2001
PRE-MATURE REPAYMENT TO THE INVESTOR
KANTI SINGH;RAM PRASAD SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether the Government are aware that a number of financial institutions such as IDBI, IFCI, ICICI, UTI have unilaterally called fo pre-mature repayment to the investors;

(b) if so, the details of such financial institutions;

(c) whether the Government have looked into this matter and propose to stop these companies from indulging in such unhealthy practices in violation of their initial contract;

(d) if so, the details thereof; and

(e) if not, the other measures Government propose in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b): Yes, Sir. Some of the financial institutions like IDBI, ICICI, IFCI and UTI have opted for premature redemption in accordanc with the terms of the issues as given in the respective prospectus.

(c) to (e): Yes, Sir. Financial institutions have exercised option for premature redemption which is in accordance with the terms contained in the issue document and there is no violation of the terms of the contract by the financial institutions. The main business of an FI is to on-lend the money borrowed by it and realise appropriate margin out of the spread between the borrowing and lending rates. When a bond is issued with a put and call option, the issuer as well as the investor has a right to pre-maturely redeem the bonds on the pre-determined dates.